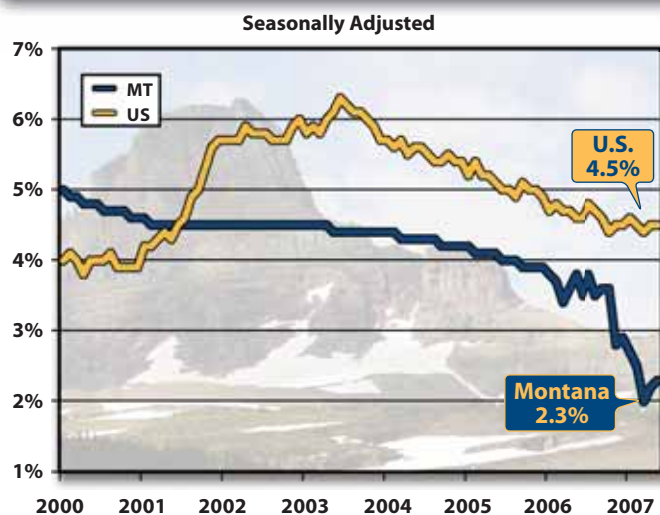


Montana Economy at a Glance

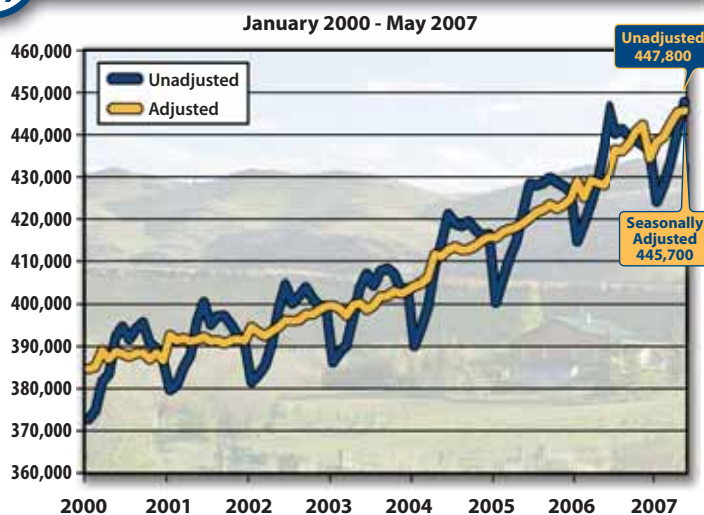
UNEMPLOYMENT RATE



NONFARM EMPLOYMENT



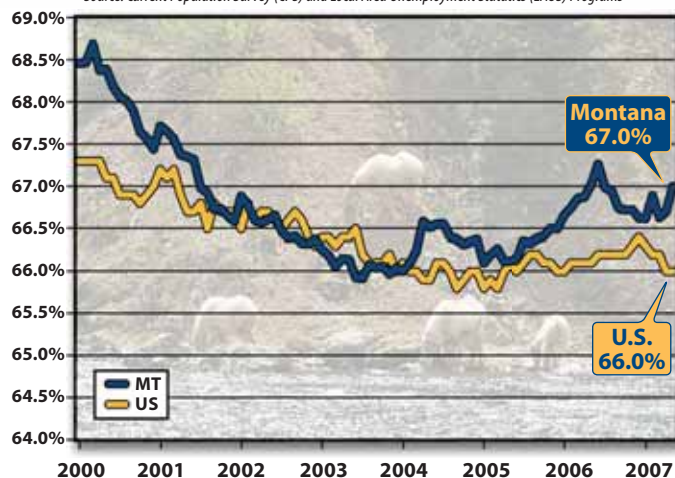
Montana's seasonally adjusted unemployment rate rose slightly to 2.3% in May 2007 from 2.2% in April. The U.S. rate remained steady at 4.5% over the month.



Montana's seasonally adjusted nonagricultural payroll employment increased by 400 jobs (0.1%) from April to May 2007. Construction experienced the largest increase with 500 additional jobs in May, while Professional & Business Services followed closely with a gain of 400 jobs.

LABOR FORCE PARTICIPATION

Source: Current Population Survey (CPS) and Local Area Unemployment Statistics (LAUS) Programs



Labor force participation rose again in Montana, while the U.S. rate remained constant. The continued increase in Montana signals the growing demand for more workers in the state's economy.

EMPLOYMENT BY INDUSTRY

Industry Employment (in thousands)	May(P) 2007	Apr. 2007	Net Change	Percent Change
Total Non-Agricultural	445.7	445.3	0.4	0.1%
Natural Resources & Mining	8.8	8.7	0.1	1.1%
Construction	33.0	32.5	0.5	1.5%
Manufacturing	20.5	20.6	-0.1	-0.5%
Trade, Transportation, Utilities	91.4	91.3	0.1	0.1%
Information	7.3	7.7	-0.4	-5.2%
Financial Activities	22.5	22.5	0.0	0.0%
Professional & Business Services	40.5	40.1	0.4	1.0%
Education & Health Services	58.4	58.5	-0.1	-0.2%
Leisure & Hospitality	58.6	58.5	0.1	0.2%
Other Services	17.1	17.3	-0.2	-1.2%
Total Government	87.6	87.6	0.0	0.0%

(P) denotes preliminary figures



How Volatile is Montana's Employment Economy?

By Tyler Turner

Economies are complex systems, intertwining private capital, public goods, and perhaps most important to individuals, labor. Employment is the most direct connection to the economy for the majority of Montanans. Because of the state's geographic location, it is assumed that employment is highly susceptible to changes in season. Additionally, Montana has traditionally relied upon industries (mining, timber products) which, if negatively impacted, can significantly damage the state economy. When combined, these two factors can cause significant volatility in the state's employment structure. This article will compare Montana's employment volatility to other states and examine regional and industrial volatility within the state.

National Employment Volatility

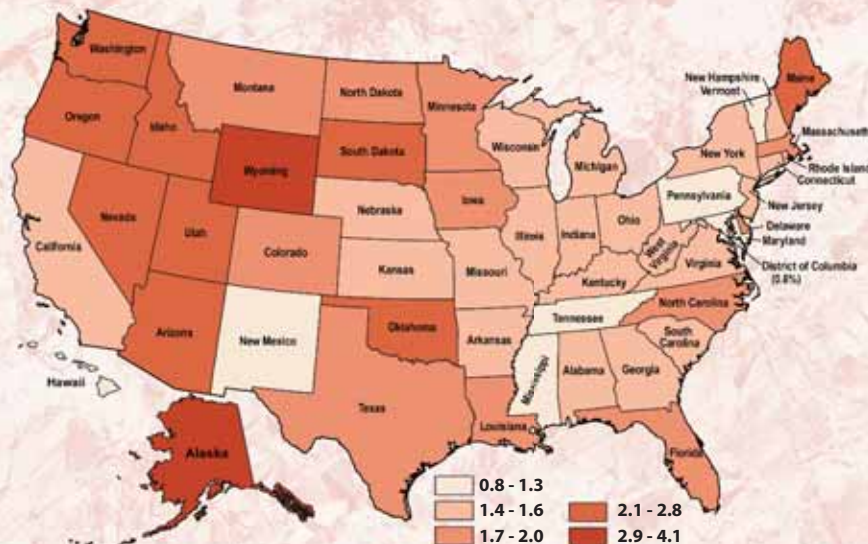
Over time, change in employment is measured by two distinct components: trend and volatility. Trend refers to the measured change in the employment series over time. This is often the largest component of variation in an employment series and can be isolated using regression analysis. Volatility refers to the remaining change in the employment series once the trend has been removed. The remaining detrended employment includes seasonal, structural, and random changes to the series. After standardizing the data across different geographies, volatility illustrates the magnitude of shifts in employment over time.

Figure One shows employment volatility for all fifty States and the District of Columbia between 2001 and 2006. The results show that Alaska has the most volatile employment series, while the District of Columbia maintains the lowest level of volatility. Given Alaska's highly seasonal economy, it is not surprising that there is a significant level of volatility. Favorable weather conditions are necessary for the operation of many businesses. It is expected that employment levels will drop as the weather becomes severe and will increase when more temperate conditions prevail.

Conversely, Washington D.C. is not hampered by changes in the weather. Because the primary industry in the District is the Federal government, a relatively stable employment environment exists. This stability extends to the industries which support the government and its workers, ensuring that, on average, little volatility will be felt within the District's employment levels.

Montana is considered a seasonal economy by many observers and ranks 13th nationally in volatility. While the data shows that there is more volatility in the state's economy relative to many East Coast states, it appears to have lower average volatility relative to many of its West Coast neighbors. Montana has maintained stable employment over the last five years in a region where many industries, such as timber and agricultural products, are both seasonal and subject to sudden downturns. However, this does not mean that there is no volatility in Montana's employment.

Figure One: Average Annual Employment Volatility by State: 2001-2006



Montana County Employment Volatility

Figure Two depicts employment volatility for all fifty-six Montana counties. The data show that at the county level, volatility can be much more severe. Smaller counties, such as Petroleum and Golden Valley, are more likely to have high levels of employment volatility. The loss or addition of a few jobs can significantly change the course of a small economy.

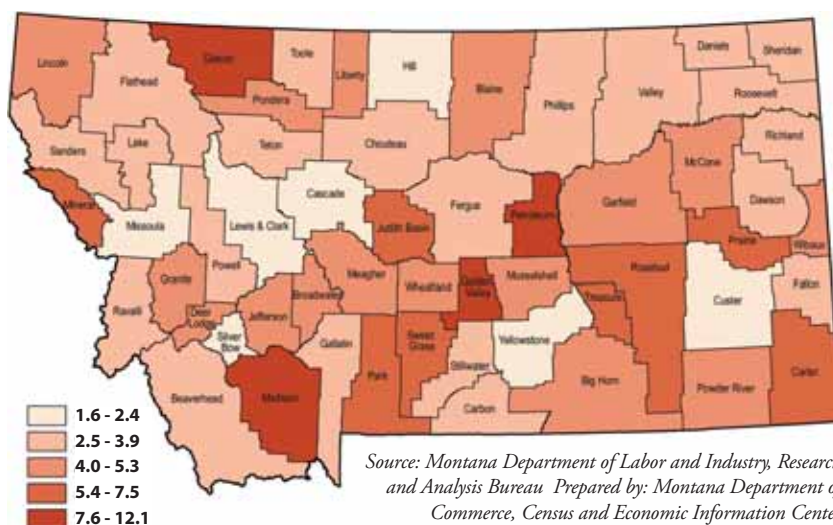
Glacier and Madison County also have high levels of employment volatility, which is likely a result of their proximity to national parks. The seasonal nature of the parks ensures that workers will be added in the summer and dropped as winter approaches, for both the park itself and businesses which depend upon visitors to the park.

Larger counties throughout the state, such as Yellowstone and Missoula, have been much more stable in their levels of employment. Because the economies in these counties are not dependent upon one or two industries, they are less likely to experience strong shifts in employment due to seasonal factors or shocks to the economy.

Montana Industry Employment Volatility

Industries within Montana are subject to employment volatility as well. Figure Three shows volatility estimates for each of Montana's industries. Education has the highest level of employment volatility. This is not surprising given the seasonal nature of employment in this industry. Other industries that are affected by changes in the season, such as construction, also rank high in volatility.

Figure Two: Average Annual Employment Volatility by Montana County: 2001-2006



Industries that are not weather dependent or that are largely immune to shifts in the economy exhibit low levels of volatility. Health care ranked lowest in volatility among all industries in Montana. This was expected, given that the demand for medical care is not seasonal and is largely independent of changes in the overall economy.

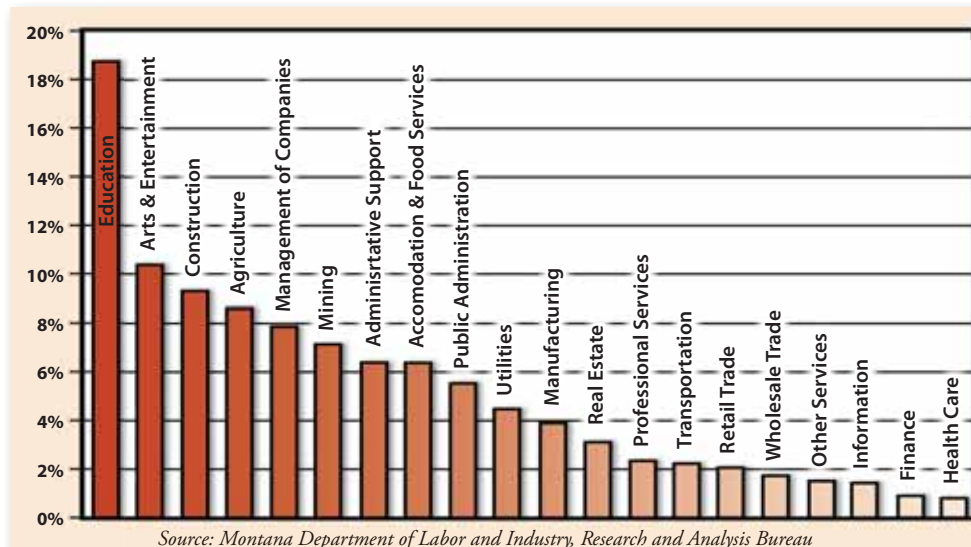
Conclusion

Employment volatility will always be a component of the Montana economy. This does not mean that its effects cannot be lessened, however. Businesses or individuals in areas or industries with high levels of volatility can prepare for the known changes in their economy. Ski resorts, for instance, are traditionally open only in the winter and thus contribute to employment volatility. By utilizing their workforce for summer activities, such as guided hiking or fishing trips,

they are able to continuously employ a portion of their workforce. Engaging in these types of activities reduces the level of change in employment over the year.

Montana has seen significant growth in its economy over the last few years. Ensuring that the state has a stable workforce is one of the most certain ways to continue this trend.

Figure Three: Average Annual Employment Volatility by Montana Industry: 2001-2006

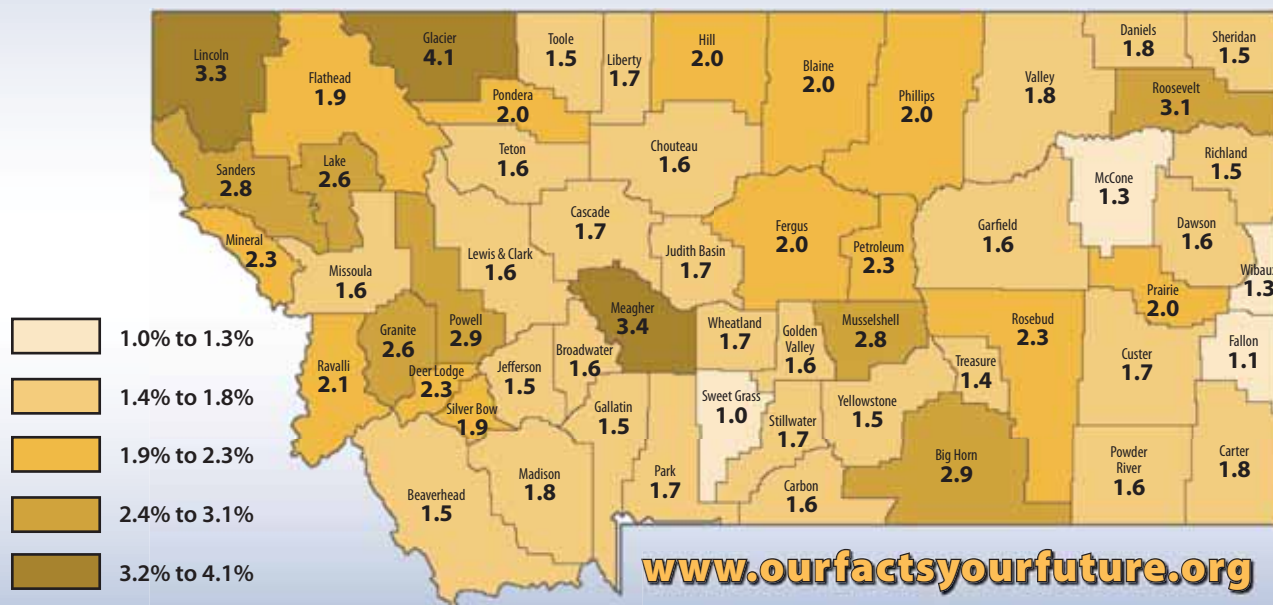


The author would like to thank Dr. Brad Eldredge and Erin Austin for their contributions to this article.

COUNTY UNEMPLOYMENT RATES (NOT SEASONALLY ADJUSTED)

Montana Average Rate: 1.8%

Please note: The Federal Bureau of Labor Statistics has recently revised unemployment rates for individual counties from 2000 to the current. Statewide unemployment rates were not affected by these revisions. If you have any questions, please contact Tyler Turner at tturner@mt.gov or (406) 444-2992.



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